



0000150946

Suzanne Nee
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Tempe, AZ 85282
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BEFORE THE ARIZONA CORPORATION COMMISSIONCORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

Arizona Corporation Commission

DOCKETED

JAN 22 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
ARIZONA CORPORATION, FOR
AUTHORITY TO: (1) ISSUE EVIDENCE
OF INDEBTEDNESS IN AN AMOUNT
NOT TO EXCEED \$1,238,000 IN
CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY
SYSTEM; AND (2) ENCUMBER REAL
PROPERTY AND PLANT AS SECURITY
FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

**INTERVENOR RESPONSE TO
SUPPLEMENTAL REJOINDER TESTIMONY -
PHASE 2**

Suzanne Nee, "SN", is an Intervenor in the above-captioned matter. She is part-time Mathematics faculty at Scottsdale Community College and resides part-time in the Community of Mead Ranch on the weekends and school breaks in the summer and winter.

Payson Water Company, PWC, a subsidiary of Brooke Utilities, Inc. (BUI) was owned by Mr. Robert T. Hardcastle when these consolidated rate cases were initiated. However, midstream through these proceedings, Mr. Jason Williamson purchased PWC, in addition to Tonto Basin Water Company (WC), and Navajo WC under his limited liability company, JW Holdings from Mr. Hardcastle.

Prior to working at Scottsdale Community College, SN worked for over 23 years in private industry. From 2000-2006, SN worked for ON Semiconductor, Inc. as a Strategic Marketing Manager responsible for profitably growing the revenue of an incubator business from \$21 to \$80 Million in 4 years.

1
2
3 In private industry, the President or CEO is responsible for growing his business profitably. He
4 has primarily two ways to do this, increase revenues or decrease expenses. If he cannot decrease his
5 expenses enough to remain profitable, he must raise his prices or go out of business. In private industry
6 he can raise his prices at any time if his products and/or services add value to the customer. However,
7 in private industry, if customers do not feel that they are receiving a good value for the product or
8 service rendered, they can take their business elsewhere.

9
10 In the present case of a public water utility, the customers have no choice to take their business
11 elsewhere. And people need water to survive. I believe that Mr. Hardcastle was/is (he owns other
12 water companies in Arizona, presently Brooke Water, LLC and Circle City WC, LLC) quite aware of this
13 fact. Mr. Hardcastle's business model, from my investigation, is to buy distressed water companies,
14 raise rates at every opportunity, (as evidenced by high legal expenses, consulting and other profession
15 fees), these litigation expenses added to outrageously high Miscellaneous Expenses make his companies
16 appear to be running at a loss. So he applies for more rate increases, all the while investing only what is
17 legally required to maintain the water systems that he owns, (See Misc. Expenses compared to Repairs
18 and Maintenance Expenses, Bar Chart- **Exhibit A**). In my opinion, Mr. Hardcastle is not so concerned
19 about receiving dividends from his investments. Mr. Hardcastle would like his customers to get so
20 irritated with him not maintaining their systems, applying for rate increases (and getting them), that
21 they will eventually, like the Town of Star/Quail Valley in 2012 did for \$775,000, buy back their system at
22 a large capital gain for Mr. Hardcastle. Of course, a capital gain (20% - taxes paid in 2014) is taxed lower
23 than a dividend payment (39.6% - taxes paid in 2014) would be taxed. (That is assuming he is not
24 offsetting the capital gain with all his other businesses net losses.) Similarly, two other water companies
25 owned by Brooke Utilities, Inc., Pine WC and Strawberry WC, over several years had similar complaints
26 of no maintenance and increased rates, bought their water systems back from BUI in 2009 for between
27 \$2 Million and \$3.5 Million. (Not sure, one document says \$2 Million in 2008, but not settled until Sept.
28 2009, *Payson Round Up* reported \$3.5 Million). **Exhibits B-** Pine/Strawberry Ad in *Payson Roundup*,
29 **Exhibit C-** Initial offer 2008 and **Exhibit D** – *Payson Roundup* article in 2009. This model depends on rate
30 increases, with staff at the ACC short on time to delve into the details of his multiple filings and
31 businesses. Adding capital assets through a WIFA loan that will be charged back to customers, increases
32 his rate base and thus will lead him or rather the new owner, Jason Williamson, to come back before the
33 ACC as soon as possible to ask for more increased rates to provide a "fair" return on the new asset
34 placed in service. This fits their business model perfectly.

35
36 From 2005 through 2012 (test year), Mr. Hardcastle has continued to raise PWC's Miscellaneous
37 Expenses from 8.5% in 2005 to 63.2% in 2012. This expense, and not cost of power, chemicals, or
38 maintenance and repairs, is what causes PWC to be unprofitable. See **Exhibit E**. (Source: PWC's Annual
39 Reports as filed with the Arizona Corporation Commission:
40 (http://www.azcc.gov/Divisions/Utilities/Annual%20Reports/2012/Water/Payson_Water_Co_Inc.pdf).
41 I am not an accountant, but I showed an Accountant the PWC financials filed in this case and he
42 commented, "The only expense that should be coded to miscellaneous expenses should be expenses that

1 *do not fit into any other expense category. It certainly appears that they are coding expenses to*
2 *miscellaneous either due to incompetency or trying to hide something."*

3 These Miscellaneous Expenses were primarily are used to fund Mr. Hardcastle's Central Office Overhead
4 Allocation. (Sister companies Tonto Basin and Navjo Water Companies also pay large miscellaneous
5 expenses to fund this Central Office. In addition, Mr. Hardcastle also runs Brooke WC and Circle City WC
6 presumably from the same Central Office. See **Exhibit F**, the sum total of these Miscellaneous Expenses,
7 primarily to fund this Central Office, are costing Arizona water customers about **\$802,000** annually. Also,
8 note in **Exhibit F**, data from PWC's Annual Reports was that PWC, Tonto Basin WC and Navajo WC all
9 also incurred 2010 Miscellaneous Non-Utility Expenses totally **\$668,000**. Not sure where these monies
10 were spent, but obviously these transactions make each company's financial condition look worse.

11
12 Because these expenses are not necessarily illegal (although unethical and immoral on the backs
13 of retired, widowed, and just plain hard working people who have written and appeared at the Public
14 Comments Hearing at the ACC from Payson on January 8th), ACC Staff only took out \$58,124 from
15 Company Test Year as Filed Miscellaneous Expenses and leaves \$235,253 - \$58,124 = \$177,129 in
16 Miscellaneous Expenses. **Exhibit G** – Operating Income Test Year and Staff Recommended. Also note in
17 Operating Income Adjustment No. 3, Analyst CSB Surrebuttal Schedule CSB-11 (**Exhibit H**) that in
18 addition to the Central Office Overhead Allocation of \$197,722, PWC also includes a Line 1
19 Miscellaneous Expense of \$37,531 or 11.7% of Test Year Revenue.

20
21 Most notably hidden in the Central Office Overhead Allocation are: an additional Salary & Wages
22 of \$47,999, Salaries & Wages and Bonuses of \$33,544.62 (which Staff did not allow), Professional Fees
23 \$31,211, Management Fees of \$13,282, and travel of \$13,912. With the exception of the \$58,124, staff
24 has allowed \$177,129 Miscellaneous Expenses for a business with Test Year Total Revenues of \$320,525
25 or **55.3%** Miscellaneous Expenses to Total Revenues. As noted in SN document 0000150673, three
26 Arizona water companies managing similarly sized assets, showed Miscellaneous Expenses of **2.7%**,
27 **1.22%** and **2.1%** respectively, for Valencia WC (Greater Buckeye), Adaman Mutual WC, and Ponderosa
28 Utility.

29 We, the Intervenors, propose that PWC run this Class C Water Utility in line with these similarly sized
30 companies at a 2.5% of Revenue- Miscellaneous Expense: $2.5\% \times \$320,525 = \$8,013$.

31
32 In addition to these Miscellaneous Expenses, SN notes that PWC has built in a yearly (and staff
33 has allowed) Regulatory Commission Expense – Rate Case of \$65,000. We do not believe customers
34 should have to pay yearly for these litigation costs, but perhaps every 5 years, so we are proposing this
35 amount be reduced to **\$13,000** annually.


36
37 Also, since noted in the Pre-Hearing comments PWC has not improved or maintained the water
38 infrastructure of these communities in at least the 13 years since the last rate case. We propose
39 increasing the repairs and maintenance expenses from \$28,089 to **\$75,000**. This should be enough to
40 get the wells in Mesa Del Caballo and East Verde Park properly pumping as per Intervenor's KMR's
41 testimony and probably be enough to fund another well at MdC.

1 See **Exhibit I**, Operating Income – Test Year, Staff Recommended and Intervenor Proposed with
2 the above Intervenor recommended changes. With these changes, we show a \$44,564 Operating
3 Income which is a return of **10.5%** on the original cost rate base of \$425,129.
4

5 SN would also like to note that in her document #0000151202, she complained about the
6 original mailing with no PWC name or return address on the envelope. Also, she would like it to be
7 noted that she filed an Application to Intervene on 10/28/13, document # 0000149154. It took until
8 12/9/13 for the Procedural Order to Grant an Intervention, document #0000150398. In Payson Water
9 Company's Notice of Filing Rejoinder, document #0000150671, filed on January 6, 2014, Mr. Jason
10 Williamson in his testimony commented on SN's complaint about the Public Notice. He did not
11 comment on why the Public Notice mailing did not have PWC's name or return address on it. He stated,
12 "I think it is now fair to say every one of our customers is now aware (or at least should be) of these
13 proceedings through notice, word of mouth, and the numerous articles that have been published in the
14 *Payson Roundup*." Yes, in January of 2014, over 2 months after the Phase 1 Public Hearing held on
15 September 25, 2013, customers may now be aware. My voice and many other PWC customers were not
16 heard early enough to bring to light inconsistencies seen throughout this case, such as the \$775,000
17 proceeds from the Sale of Star/Quail Valley disappearing from the Company's 2012 Test financial
18 statements (except buried in footnotes at the end of the 279 page document) and the Water Hauling
19 Data inconsistencies and missing 2011 MdC Water Usage data, noted by SN in her document
20 #0000150673. Further, SN would like to point out that while Mr. Jason Williamson made this statement
21 in the Jan. 6th Rejoinder and SN has been an Intervenor in this case since Dec. 9th, 2013. However,
22 Payson Water Company did not copy SN on their list of Intervenor on this January 6th filing. (**Exhibit J**-
23 page 4, Jan. 6th, Joinder Testimony) The present Payson Water Company now run by Jason Williamson
24 appears to be using the same business model as used by Mr. Robert T. Hardcastle.
25
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31

32 Respectfully submitted this 22nd day of January, 2014.

33
34 By



35 Suzanne Nee, Intervenor

36 2051 E. Aspen Drive

37 Tempe, AZ 85282
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42

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8 **ORIGINAL** and thirteen (13) copies
9 of the foregoing were filed this 22nd
10 day of January, 2014 with:

11
12 Docket Control
13 Arizona Corporation Commission
14 1200 W. Washington Street
15 Phoenix, AZ 85007
16

17 **COPY** of the foregoing was mailed
18 this 22nd day of January, 2014 to:

19
20 Jay Shapiro (Attorney for Payson Water Co., Inc.)
21 Fennemore Craig P.C.
22 2394 E. Camelback Road, Suite 600
23 Phoenix, AZ 85016
24

J. Stephen Gehring & Richard M. Burt
8157 W. Deadeye Rd.
Payson, AZ 85541

25 Robert Hardcastle
26 3101 State Road
27 Bakersfield, CA 93308
28

Glynn Ross
405 S. Ponderosa
Payson, AZ 85541

29 William Sheppard
30 6250 North Central Avenue
31 Phoenix, AZ 85012
32

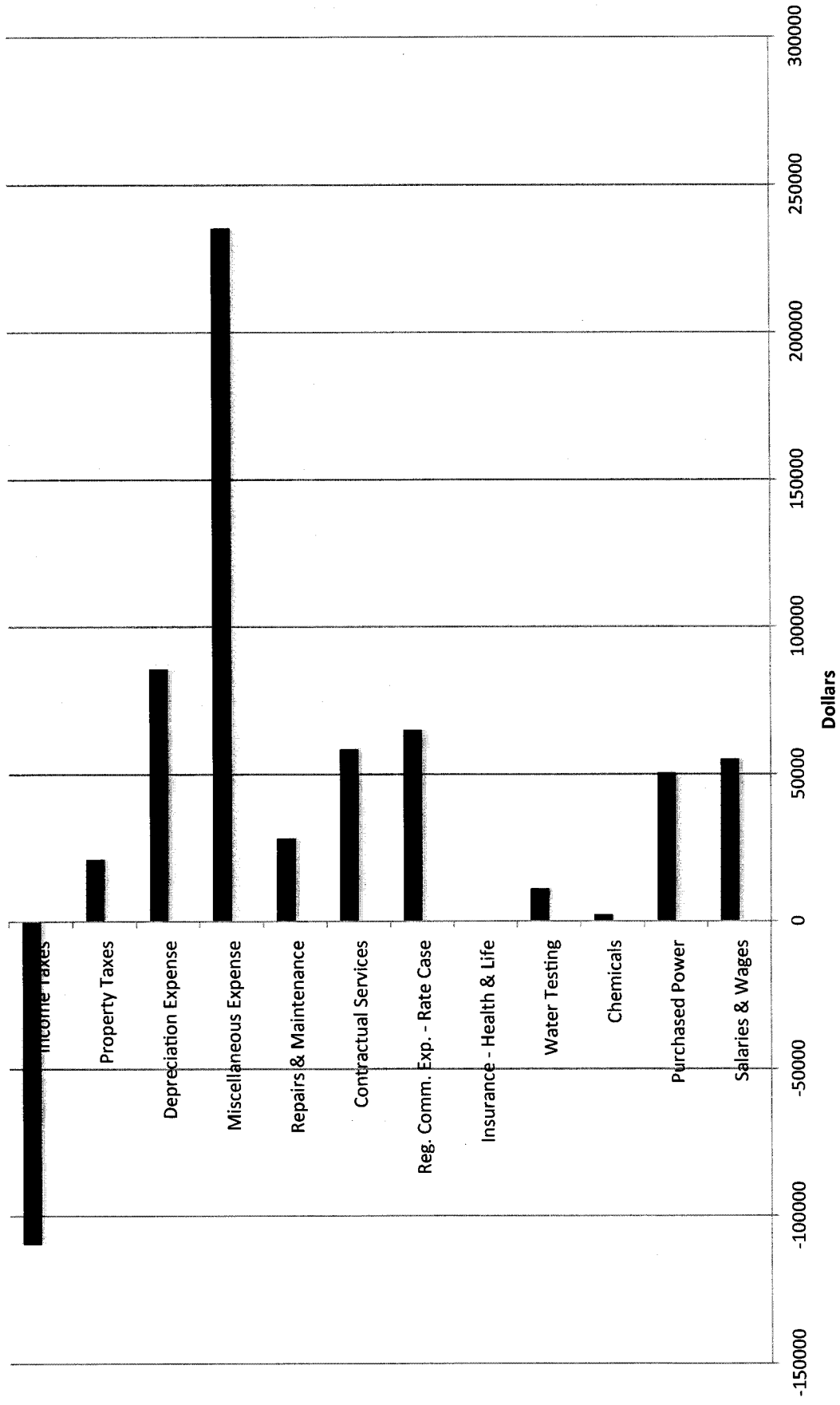
Kathleen M. Reidhead
14406 S. Cholla Canyon Dr.
Phoenix, AZ 85044

33 Thomas Bremer
34 6717 E. Turquoise Ave.
35 Scottsdale, AZ 85253
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Exhibit A

Company Test Year as Filed Expenses



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Exhibit B

Steve Owens, Director of Arizona Dept. of Environmental Quality

On July 3, 2008, our elected officials of the Pine-Strawberry Water Improvement District voted to purchase the assets of Pine and Strawberry Water Companies. Their offer of \$2,172,446 was predicated on an appraisal done by the firm of Coe and Van Loo. Our water system is in a state of disrepair (see pictures), water shortages continue, massive hauling charges have occurred, and it is evident that we as a community have privately developed the means to provide an adequate source of water and enhance our quality of life.

To the owners of Brooke Utilities, and the directors of Jaco Oil and Crystal Investments: We appeal to you to negotiate in good faith and end your adversarial ways, so we may take control of our future and make the improvements that our water system needs. It has been ascertained beyond a reasonable doubt by hydro-geologists, (including your own) that there is significant, in fact billions of gallons of economically available water, located right under Pine and Strawberry.

Your California based, multi-layered firms are in trouble with your customers of Pine-Strawberry and numerous other communities. You have been continually called on the carpet by the Arizona Corporation Commission where Judge Dwight Nodes stated the following in the most recent case about Brooke Utilities:

- "Customers have a right to expect uninterrupted service except for emergencies."
- "Just because there is a moratorium in effect you don't get to sit back and not ever look for water again."
- "I think the Commission's concern is let's get a remedy in place to try to address some of these issues and to get beyond a moratorium situation."
- "At some point you have to actually put into place some additional infrastructure in the form of well production and storage" and "you can't just study it and study it and study it and not actually put something into place to solve the problem."
- "We have had these issues coming, you know, with Pine and Strawberry as well as this company, Payson (Water Company) for many years. But you know, again at some point enough is enough as far as just talking about it and something needs to be moved forward."

In response to all this from Judge Nodes, when Mr. Hardcastle (President-Brooke Utilities) was asked by Judge Nodes, "I don't know if you want to comment, Mr. Hardcastle, feel free?", Mr. Hardcastle's reply was, "No, your honor, I don't think I have any further comments."

It is no secret that Brooke Utilities has:

- Provided inadequate investment in development of new water resources in light of the fact that other water districts and individuals have found adequate water for years.
- Failed to provide adequate storage to meet peak demand spikes.
- Failed to perform adequate due diligence in terms of water development projects.
- Performed inferior repairs to our water system.
- Been notified numerous times by the ACC regarding poor customer relations and billing clarity.
- Burdened the people of Pine with unfair and unnecessary water hauling charges.

By almost a 2-1 margin, the people of Pine-Strawberry voted in a new Pine -Strawberry Water Improvement District Board to correct our water challenges with an aggressive and positive course of action.

To the Arizona Corporation Commissioners Gleason, Mundell, Mayes, Hatch-Miller, and Pierce: We request you to have the courage to carry out the convictions of Judge Nodes and do what reasonable and respected regulators should do. After all these miserable and expensive years for the ACC and the 4500 property owners (about 10,000 voters), your immediate and firm actions are demanded, especially now that a good and reasonable alternative is being laid before you that can stop the waste of staff time and limited ACC monetary resources. Please act now in behalf of yourselves and the citizens of Pine-Strawberry. The time has come to revoke the Certificate of Convenience and Necessity of Brooke Utilities in the Pine-Strawberry area.

To Steve Owens, Director of the Arizona Dept. of Environmental Quality: We request you enforce the statutes under your jurisdiction. We also request you make Brooke Utilities (Pine Water Company and Strawberry Water Company) comply and correct the defects in the systems that they were alerted to by ADEQ in a letter dated November 2, 2004 from your department to Robert Hardcastle. Four years later, numerous corrections are still needed to insure the public health and safety. (See pictures)

This ad paid for by the following:

Steve McDowell	Mary Lowe	Mike Fish	Suzanne Fumusa	Matt Jones
Darla McDowell	Cindy Lawson	Dale Oestman	Robert Randall	Ed Miller
Charlie Boyer	Dennis McElroy	Fran Oestman	Sally Randall	Patty Miller
Becky Boyer	Jeff Niblock	John Cromer	Roger Miotto	Dave Fohr
James Hall	Sally Niblock	Jane Wilcox	Tammy Miotto	Penny Smith
Roxanne Hall	Laura Hud	Ken O'Dell	Bruce Brammer	Larry Castle
Suzi Wild	Jack R. Voakes	Bill Suphan	Linda Brammer	RC Castle
Don Hancock	Sandy Gier	Grace Suphan	John Bittner	Jan Armbruster
David Richins	Linda Murray	Pat Roth	Dwayne Harmon	Bill Armbruster
Becky Richins	Cindy Maack	Gerald Rainey	Rosemary Harmon	Stan Taylor
Gino Wilcotti	Bob Maack	Cave Doggett	Austin Myers	Sherry Taylor
Tina Wilcotti	Rim Plumbing	Dianne Doggett	Mary Lou Myers	Fran Montgomery
Howard Young	Ginger Bread House	Larry Anderson	Ned Greenleaf	Ken Tozi
Wilma Young	Jane Fender	Karen Anderson	Richard Morley Jr.	Beverly Tozi
Jackie Cramer	Ira Gibel	Sandra Schnieber	Martha Jean Morley	Patty Tozi
Paul Cramer	Roz Gibel	Kay Schnieber	Marvel Bennett Jr.	Carl Tozi
James Hill	John Spinck	Kristen Fish	Joyce Franks	Dave Prechtel
Sioux Hill	Susan Spinck	William Albert	Fred Krafczyk	Gary Rains
Karen Nelson	Judy Staab	Bertha Albert	Raylene Davis	Rose Harper
Julie Eckman	Douglas E. Stabb	Arthur H. Simmons Sr.	Jane Reddin	Barbara Lauerman
Dale Eckman	Cindy Windle	Jon Shropshire	Herb Grau	Doyle Chaney
Mike Rosenstein	Ken Damasceno	Monique Hardy	Linda Grau	Dianne Mitchell



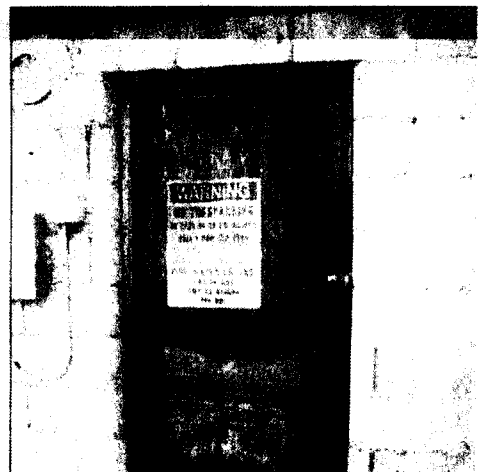
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Exposed Pipe, Facility Disrepair



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Exhibit C

PINE STRAWBERRY WATER IMPROVEMENT DISTRICT
PROPOSAL TO
BROOKES UTILITIES INC
FOR THE PURCHASE OF
PINE AND STRAWBERRY WATER COMPANIES

As a Settlement Offer, subject to Rule 408 Arizona Rules of Evidence the Pine Strawberry Water Improvement District, an Arizona municipal corporation, hereby proposes to purchase, through a friendly condemnation, the Pine Water system and the Strawberry Water System on the terms and conditions hereinafter set forth:

I. PURCHASE OF ASSETS OF PINE WATER COMPANY AND
STRAWBERRY WATER COMPANY

The Pine Strawberry Water Improvement District {hereinafter the "District"} will acquire from the Pine Water Company {PWC} and the Strawberry Water Company {SWC} {collectively the "Water Companies"} and Brooke Utilities {BUI} the following assets free and clear of any and all liens and encumbrances, the same to be inventoried by Pine Water Company and Strawberry Water Company and such inventory of assets to be provided the District for its approval as to precisely what assets are being conveyed, including but not limited to:

- A. Pine Water Company system; including but not limited to all property shown on any annual report or other report filed with the Arizona Corporation Commission or Arizona Department of Environmental Quality or Arizona Department of Water Resources, or any other federal state or local governmental agency or entity, and all of the following including appurtenances thereto: all pipes, pumps, meters,

distribution facilities, storage tanks, storage facilities, pressure tanks, wells, well sites, easements, real property, the K2 Well Site and any other property, real or personal owned by the Pine or Strawberry Water Companies located within the boundaries of the District. For all real property or interests therein conveyed, the Water Companies shall provide to the District legal descriptions of such property and a Standard Owners Policy of Title Insurance for such property, the value of said insurance to be equal to the value of the property being conveyed.

- B. Strawberry Water Company system; including but not limited to all property shown on any annual report or other report filed with the Arizona Corporation Commission or Arizona Department of Environmental Quality or Arizona Department of Water Resources, or any other federal state or local governmental agency or entity, and all of the following including appurtenances thereto, pipes, pumps, meters, distribution facilities, storage tanks, storage facilities, pressure tanks, wells, well sites, easements, real property, the K2 Well Site and any other property, real or personal owned by the Pine or Strawberry Water Companies located within the boundaries of the District. For all real property or interests therein conveyed, the Water Companies shall

provide to the District legal descriptions of such property and a Standard Owners Policy of Title Insurance for such property, the value of said insurance to be equal to the value of the property being conveyed

- C. Project Magnolia and all real and personal property connected thereto or therewith and all of its accessories and appurtenances, said real property conveyance to be subject to the requirements set forth above for Title insurance.
- D. All maps and other records of the water systems described above, including but not limited to records concerning quantity and quality of water, the condition of the system itself, customer information, customer lists, delinquency records of customers, and any other information in the possession of either Pine or Strawberry Water Company or Brookes Utilities or its agents or employees, pertaining to the current or historical operations of the water systems.
- E. All keys to any locked facilities, combination to any locks, and instruction or operation and maintenance manuals for all equipment and any and all operation and maintenance manuals for the entire system or any portion thereof.
- F. All customer water deposits and a record of the source of such deposits and the agreements for repayment of the same.

G. All advances in aid of construction or other forms of agreements whereby any third party has advanced funds to the Pine or Strawberry Water Companies with an expectation of being repaid such advances. Further any agreements pertaining thereto shall be assigned to the District.

H. All Well Sharing or Water Sharing Agreements to which either the Pine or Strawberry Water Companies are a party which are a part of the water supply system for the property being acquired hereunder.

I. All Governmental permits and approvals from any governmental agency with jurisdiction over the water systems shall be assigned to and delivered to the District, including but not limited to all approvals necessary and required from the Arizona Department of Water Resources and all approvals from the Arizona Department of Environmental Quality, including all plan or design approvals, approvals to construct and approvals to operate any part or all of the water system or systems.

II. DUE DILIGENCE INVESTIGATION

A. The District is granted the right and ability to conduct detailed due diligence related to the Assets of the Companies. This includes, but is not limited to:

a. A financial audit of each company's books, records and data management systems for the past five years.

b. An engineering financial and legal review and inspection of all company assets, financial rights and legal rights

c. Historical and current budgets, volumetric and customer data

d. Review of any outstanding Agreements to which the Water Companies are a party or have a beneficial interest or duty to perform described therein.

e. Review of any and all information in the possession of the Companies or any third parties which is relevant and material to the purchase of the assets to be conveyed by the Companies to the District.

f. Review of all documents to substantiate that the Companies have a valid, sustainable, continuous right of way for all water lines and other facilities of the Companies.

g. Review of any and all information and documentation which the District believes is relevant and material to this transaction to protect the District from any and all claims against the District arising out of this transaction, and further to assure that the District can lawfully operate the water system in accordance with all applicable federal, state and local laws and regulations.

III. THE PURCHASE PRICE

A. Contingent on District funding closing in a timely manner, not more than 120 days from the date of the entry of the judgment in the condemnation action brought to acquire said property, the Pine Strawberry Water Improvement District will pay the sum of \$2,000,000 for the property described herein, "as is on the date of acceptance of this offer" without

fees and costs and will further hold harmless and indemnify each party against the other for any claims arising out of the transaction and will mutually indemnify the parties for claims arising out of any undisclosed matters in the preparation of and closing of this transaction.

This proposal is hereby submitted to the Pine and Strawberry Water Companies and to Brooke Utilities this ____ day of April, 2008.

Pine Strawberry Water Improvement District

By _____,
its lawfully delegated representative.

Accepted this ____ day of April, 2008

PINE WATER COMPANY

Its President

STRAWBERRY WATER COMPANY

Its President

BROOKE UTILITIES INC.

Its President

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Exhibit D

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Fair

Thursday January 9, 2014

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Pine Strawberry Water Company Purchase Completed

Max Foster

Friday, October 2, 2009

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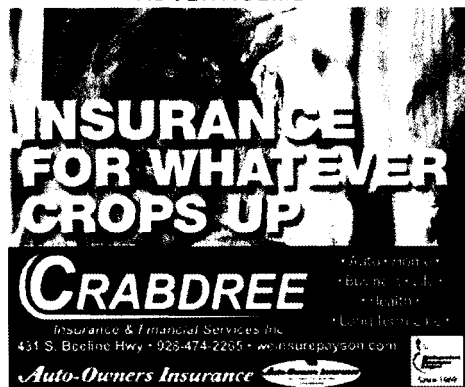
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The Pine Strawberry Water Improvement District's long and taxing quest to take control of Pine and Strawberry water companies from Brooke Utilities peaked Wednesday, Sept. 30, with the board paying the purchase price of \$3.5 million.

Board President Bill Haney, who spearheaded the effort to assume control of the two water companies, signaled the sale was complete by e-mailing fellow board members, "at 11:40 (a.m.) this morning, the fat lady sang."

Ironically, about the time the purchase deal was signed, water conservation in Pine went to Stage 3 — the most restrictive it has been this summer.

"Just another challenge," Haney said.

After the deal was made public, a sign went up on the Bishop Realty marquee in Pine that read, "Bye, Bye Bobby," apparently referring to Brooke Utilities President Bob Hardcastle, a man some water users and businessmen in the two mountain hamlets have had a long and contentious relationship with.

In fact, Hardcastle shouldered much of the blame for the two water companies' woes, which included alleged poor customer service, infrastructure failures, water hauling charges during peak summer months and water outages.

Water users' concerns with the way Hardcastle and Brooke Utilities were running the two systems led in March of 2008 to a successful recall election of the PSWID board. Ron Calderon, Richard Dickinson, Michael Greer and Terry Schleizer assumed seats on the board, along with remaining members Barbara Hall, Don Smith and Haney.

Hall later resigned in a tiff with fellow members, and was replaced by local businessman Tom Weeks.

Smith, a longtime Strawberry resident and local dentist, says the movement to take control of the water systems actually began about 15 years ago, "by some farsighted men in the Pine-Strawberry Improvement Association."

From that original group, the PSWID was formed.

"Under the leadership of Bill Haney, (general manager) Harry Jones and (board attorney) John Gilege, the task was accomplished by perseverance and hard work," Smith said.

He also called the long-awaited takeover "an accomplishment of the impossible dream."

Schleizer cited Compass Bank for its role in the takeover — “Thank you for taking part in our community.”

The money to purchase the two companies came from a restructured Compass Bank loan at 20-year fixed and variable rates.

Schleizer also congratulated the residents of the improvement district, telling them, “You now control the destiny of your water systems.”

Although the district has assumed control of the water companies, Brooke has agreed to help with the transition of all operations for 15 days.

With the takeover, Shaffer Water Management will assume operations for the district. Steve Stevens and Pat Kolasinski will manage the water service office in Pine, and a contract has been issued to A Better Connection for emergency services and afterhours answering.

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Water company take over by PSWID stopped

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Three seek open P-S water board spot

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16

Exhibit E

Payson Water Company - Per ACC Filed
Annual Reorts Data

	2005	2006	2007	2008	2009	2010	2011	2012	Total Misc. Expense 2005-2012
Total Revenue	492,535	517,968	516,296	533,683	471,587	447,464	497,039	394,908	
Misc. Expense	41,752	61,243	102,451	204,748	214,601	248,909	231,299	249,525	1,354,528
% Misc.									
Expense/Total Revenue	8.5%	11.8%	19.8%	38.4%	45.5%	55.6%	46.5%	63.2%	
Total Operating Expense	418,814	399,654	480,051	551,272	550,514	558,716	589,764	592,977	
Operating Profit/(Loss)	73,721	118,314	36,245	-17,589	-78,927	-111,252	-92,725	-198,069	
Retained Earnings	33,502	150,803	190,153	192,379	113,299	-513,976	-607,360	-33,872	

Note: 2010
also had Misc.
Non-Utility
Expense of
516,000

Note: 2012
also had Non-
Utility Income
of \$771,571 -
Condemnation
Sale of Star
Valley/Quail V.

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Exhibit F

	Miscellaneous Expenses		
	2009	2010	2011 2012
<u>Brooke Utilities, Inc.</u>			
Payson W.C	214,601	248,909	231,299 249,525
Tonto W.C	127,281	151,160	126,813 143,686
Navajo W.C	48,707	63,892	52,056 53,645
Total per Year	390,589	463,961	410,168 446,856
			1,711,574 <----- 2009-2012 Brooke Utilities, Inc. Misc. Expenses

NOTE: ALL 3 Payson, Tonto Basin, and Navajo Water Companies had **Miscellaneous Non-Utility Expenses** totally **\$668,000 in 2010**

516,000
103,000
49,000

Sum: **668,000**

	Miscellaneous Expenses		
	2009	2010	2011 2012
<u>Exhibit B</u>			
<u>Brooke Utilities, Inc.</u>			
Payson W.C	214,601	248,909	231,299 249,525
Tonto W.C	127,281	151,160	126,813 143,686
Navajo W.C	48,707	63,892	52,056 53,645
Brooke Water	331,642	383,368	317,683 340,861
Circle City W.C.	30,680	34,720	34,036 23,435
Total per Year	752,911	882,049	761,887 811,152
			3,207,999 <----- 2009-2012 Total
			Robert Hardcastle WC Businesses Misc. Expenses
			Average per Year
			801,999.75

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 302,428	\$ 300,836
460	Unmetered Water Revenue		
474	Other Water Revenues	9,785	5,648
	TOTAL REVENUES	\$ 312,213	\$ 306,484
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 25,419	\$ 26,131
610	Purchased Water		
615	Purchased Power	41,155	33,795
618	Chemicals		
620	Repairs and Maintenance	7,365	17,315
621	Office Supplies and Expense		
630	Outside Services	286	
635	Water Testing	7,411	7,386
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	883	115
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	126,813	143,686
403	Depreciation Expense	48,984	49,291
408	Taxes Other Than Income		
408.11	Property Taxes	14,249	15,314
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 272,565	\$ 293,033
	OPERATING INCOME/(LOSS)	\$ 39,648	\$ 13,451
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	5	3
	TOTAL OTHER INCOME/(EXPENSE)	\$ 5	\$ 3
	NET INCOME/(LOSS)	\$ 39,643	\$ 13,454

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 295,425	\$ 302,428
460	Unmetered Water Revenue		
474	Other Water Revenues	5,586	9,785
	TOTAL REVENUES	\$ 301,011	\$ 312,213
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 28,655	\$ 25,419
610	Purchased Water		
615	Purchased Power	31,009	41,155
618	Chemicals		
620	Repairs and Maintenance	12,648	7,365
621	Office Supplies and Expense		
630	Outside Services	2,931	286
635	Water Testing	7,481	7,411
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	1,476	883
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	151,160	126,813
403	Depreciation Expense	39,490	48,984
408	Taxes Other Than Income		
408.11	Property Taxes	12,915	14,249
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 287,765	\$ 272,565
	OPERATING INCOME/(LOSS)	\$ 13,246	\$ 39,648
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	(103,000)	
427	Interest Expense	(13)	5
	TOTAL OTHER INCOME/(EXPENSE)	\$ (103,013)	\$ 5
	NET INCOME/(LOSS)	\$ (89,767)	\$ 39,643

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 310,706	\$ 295,425
460	Unmetered Water Revenue		
474	Other Water Revenues	5,168	5,586
	TOTAL REVENUES	\$ 315,874	\$ 301,011
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 37,755	\$ 28,655
610	Purchased Water	265	
615	Purchased Power	31,326	31,009
618	Chemicals	1,343	
620	Repairs and Maintenance	9,356	12,648
621	Office Supplies and Expense		
630	Outside Services	7,580	2,931
635	Water Testing	7,175	7,481
641	Rents	405	
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	1,054	1,476
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	127,281	151,160
403	Depreciation Expense	37,470	39,490
408	Taxes Other Than Income		
408.11	Property Taxes	20,040	12,915
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 281,050	\$ 287,765
	OPERATING INCOME/(LOSS)	\$ 34,824	\$ 13,246
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		(103,000)
427	Interest Expense	(96)	(13)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (96)	\$ (103,013)
	NET INCOME/(LOSS)	\$ 34,728	\$ (89,767)

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 106,913	\$ 101,932
460	Unmetered Water Revenue		
474	Other Water Revenues	4,444	3,460
	TOTAL REVENUES	\$ 111,357	\$ 105,392
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 12,978	\$ 11,667
610	Purchased Water		
615	Purchased Power	10,134	10,186
618	Chemicals		
620	Repairs and Maintenance	6,487	11,813
621	Office Supplies and Expense		
630	Outside Services	3,375	4,925
635	Water Testing	3,112	2,306
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	434	65
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	52,056	53,645
403	Depreciation Expense	10,889	11,050
408	Taxes Other Than Income		
408.11	Property Taxes	4,647	5,865
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 100,778	\$ 111,522
	OPERATING INCOME/(LOSS)	\$ 10,579	\$ (6,130)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(3)	(5)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (3)	\$ (5)
	NET INCOME/(LOSS)	\$ 10,576	\$ (6,135)

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 106,448	\$ 106,913
460	Unmetered Water Revenue		
474	Other Water Revenues	3,756	4,444
	TOTAL REVENUES	\$ 110,204	\$ 111,357
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14,785	\$ 12,978
610	Purchased Water		
615	Purchased Power	7,914	10,134
618	Chemicals		
620	Repairs and Maintenance	3,723	6,487
621	Office Supplies and Expense		
630	Outside Services	200	3,375
635	Water Testing	2,350	3,112
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liability		
659	Insurance - Health and Life	946	434
666	Regulatory Commission Expense - Rate Case		
675	Miscellaneous Expense	63,892	52,056
403	Depreciation Expense	10,889	10,889
408	Taxes Other Than Income		
408.11	Property Taxes	4,367	4,647
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 109,066	\$ 100,778
	OPERATING INCOME/(LOSS)	\$ 1,138	\$ 10,579
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	(49,000)	0
427	Interest Expense	(5)	(3)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (49,005)	\$ (3)
	NET INCOME/(LOSS)	\$ (47,867)	\$ 10,576

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 108,219	\$ 106,448
460	Unmetered Water Revenue		
474	Other Water Revenues	2,671	3,756
	TOTAL REVENUES	\$ 110,890	\$ 110,204
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 5,270	\$ 14,785
610	Purchased Water		
615	Purchased Power	7,889	7,914
618	Chemicals		
620	Repairs and Maintenance	3,262	3,723
621	Office Supplies and Expense		
630	Outside Services	24,194	200
635	Water Testing	2,615	2,350
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	198	946
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	48,707	63,892
403	Depreciation Expense	10,536	10,889
408	Taxes Other Than Income		
408.11	Property Taxes	7,150	4,367
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 109,821	\$ 109,066
	OPERATING INCOME/(LOSS)	\$ 1,069	\$ 1,138
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		(49,000)
427	Interest Expense	(35)	(5)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (35)	\$ (49,005)
	NET INCOME/(LOSS)	\$ 1,034	\$ (47,867)

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 824,234	\$ 814,661
460	Unmetered Water Revenue		
474	Other Water Revenues	29,120	23,893
	TOTAL REVENUES	\$ 853,354	\$ 838,554
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 77,594	\$ 67,180
610	Purchased Water	108	61
615	Purchased Power	39,039	37,293
618	Chemicals	6,168	7,484
620	Repairs and Maintenance	42,039	40,183
621	Office Supplies and Expense	965	896
630	Outside Services	2,472	2,493
635	Water Testing	9,717	17,844
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	9,024	7,031
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	317,683	340,861
403	Depreciation Expense	69,000	71,680
408	Taxes Other Than Income		
408.11	Property Taxes	25,326	27,126
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 599,135	\$ 620,132
	OPERATING INCOME/(LOSS)	\$ 254,219	\$ 218,422
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income	(2,000)	
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(17)	(31)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (2,017)	\$ (31)
	NET INCOME/(LOSS)	\$ 252,202	\$ 218,391

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 56,383	\$ 54,329
460	Unmetered Water Revenue		
474	Other Water Revenues	2,811	1,574
	TOTAL REVENUES	\$ 59,194	\$ 55,903
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 12,439	\$ 6,472
610	Purchased Water	58,980	58,980
615	Purchased Power	11,156	10,039
618	Chemicals		
620	Repairs and Maintenance	1,504	1,278
621	Office Supplies and Expense		
630	Outside Services	5,678	325
635	Water Testing	1,973	947
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life	1,035	200
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	34,036	23,435
403	Depreciation Expense	16,689	25,847
408	Taxes Other Than Income		
408.11	Property Taxes	3,120	3,122
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 146,610	\$ 130,645
	OPERATING INCOME/(LOSS)	\$ (87,416)	\$ (74,742)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 43	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(3)	(2)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 41	\$ (2)
	NET INCOME/(LOSS)	\$ (87,375)	\$ (74,744)

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Exhibit G

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
REVENUES:							
1	Metered Water Sales	\$ 313,559			\$ 313,559	\$ 241,822	\$ 555,381
2	Water Sales - Unmetered	-	-		-	-	-
3	Other Operating Revenues	6,966	-		6,966	-	6,966
4	Total Revenues	\$ 320,525	\$ -		\$ 320,525	\$ 241,822	\$ 562,347
EXPENSES:							
7	Salaries and Wages	\$ 55,097	\$ -	1	\$ 55,097	\$ -	\$ 55,097
8	Employee Pensions & Benefits	-	-		-	-	-
9	Purchased Power	50,533	-		50,533	-	50,533
10	Fuel for Power Production	-	-		-	-	-
11	Chemicals	2,181	-		2,181	-	2,181
12	Repairs and Maintenance	28,089	-		28,089	-	28,089
13	Office Supplies & Expense	-	-		-	-	-
14	Contractual Services	58,481	(1,683)	2	56,798	-	56,798
15	Water Testing	11,000	-		11,000	-	11,000
16	Rents	-	-		-	-	-
17	Transportation Expenses	-	-		-	-	-
18	Insurance - General Liability	-	-		-	-	-
19	Insurance - Health and Life	266	-		266	-	266
20	Reg. Comm. Exp.	-	-		-	-	-
21	Reg. Comm. Exp. - Rate Case	65,000	-		65,000	-	65,000
22	Miscellaneous Expense	235,253	(58,124)	3,4,5	177,129	-	177,129
23	Bad Debt Expense	-	-		-	-	-
24	Depreciation Expense	85,632	(26,198)	6	59,434	-	59,434
25	Taxes Other Than Income	-	-		-	-	-
26	Property Taxes	21,030	(1,052)		19,978	5,024	25,002
27	Income Taxes	(109,557)	34,219	7	(75,338)	79,949	4,611
28	Rounding	(1)	-		(1)	-	(1)
29		-	-		-	-	-
30	Total Operating Expenses	\$ 503,004	\$ (52,838)		\$ 450,166	\$ 84,973	\$ 535,139
31							
32	Operating Income (Loss)	\$ (182,479)	\$ 52,838		\$ (129,641)	\$ 156,849	\$ 27,208

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-16
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

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Exhibit H

OPERATING INCOME ADJUSTMENT NO. 3 - \$197,722 Corporate Office Allocation

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS (Col C - Col A)	(C) STAFF AS ADJUSTED
1	Miscellaneous Expense	\$ 37,531	\$ -	\$ 37,531
2				
3	Central Office Overhead Allocation	\$ 197,722	\$ -	\$ 197,722
4	Bonuses	\$ -	\$ (33,545)	\$ (33,545)
5	Star/Quail Valley Costs	\$ -	\$ (9,466)	\$ (9,466)
6	Other (Advertising, Fines, Utility Plant, Gain on Sale)	\$ -	\$ (249)	\$ (249)
7	Subtotal - Central Office Overhead Allocation	\$ 197,722	\$ (43,260)	\$ 154,462
8				
9	Total Miscellaneous Expense (L1 + L7)	\$ 235,253	\$ (43,260)	\$ 191,993
10				
11				

\$197,722 Central Office Overhead Allocation (CSB 1.13, 2.8, 2.10, 2.11, & 2.12)				
Description	Per Company	Difference	Per Staff	
Salaries & Wages	\$ 47,998.99	\$ (4,307.76)	\$ 43,691.23	
Salaries & Wages, Bonuses	\$ 33,544.62	\$ (33,544.62)	\$ -	
Payroll Taxes	\$ 4,939.37	\$ (634.31)	\$ 4,305.06	
Benefits	\$ 3,810.35	\$ (489.32)	\$ 3,321.03	
Building Occupancy Expenses	\$ 81.43	\$ -	\$ 81.43	
Utilities	\$ 3,182.87	\$ -	\$ 3,182.87	
Communications	\$ 7,679.43	\$ -	\$ 7,679.43	
Travel	\$ 13,911.85	\$ -	\$ 7,679.43	
Meals & Entertainment	\$ 577.95	\$ -	\$ 577.95	
Lodging	\$ 2,135.89	\$ -	\$ 2,135.89	
Supplies (Office Expenses)	\$ 14,640.49	\$ (1,881.40)	\$ 12,759.09	
Repairs and Maintenance	\$ 5,181.27	\$ -	\$ 5,181.27	
Bank Charges & Fees	\$ 2,488.32	\$ (319.55)	\$ 2,488.32	
Professional Fees	\$ 31,210.70	\$ -	\$ 31,210.70	
Training & Education	\$ 466.18	\$ -	\$ 466.18	
Advertising & Promotion	\$ 137.87	\$ (137.87)	\$ -	
Dues & Subscriptions	\$ 1,338.34	\$ -	\$ 1,338.34	
Licenses & Permits	\$ 2,685.24	\$ -	\$ 2,685.24	
Fines & Penalties	\$ 12.36	\$ (12.36)	\$ -	
Write Off	\$ 15.75	\$ -	\$ 15.75	
Utility Plant In Service	\$ 948.87	\$ (948.87)	\$ -	
Other General Business	\$ 197.25	\$ -	\$ 197.25	
Property & Casualty Insurance	\$ 997.07	\$ (128.04)	\$ 997.07	
Management Fees	\$ 13,281.62	\$ (1,705.61)	\$ 11,576.01	
Depreciation/Utility Plant In Service (Office Space)	\$ 7,107.99	\$ -	\$ 7,107.99	
(Gain) Loss on Sale of Assets	\$ (849.66)	\$ 849.66	\$ -	
	\$ 197,722.41	\$ (43,260.06)	\$ 148,678	

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(G)
No. of Payson Customers Excluding Star/Quail Valley (CSB 2.8)	Number of Star/Quail Valley Customers (From Water Co. Plant Descrip Included in Applica)	Total Number of Payson Customers Including Star/Quail Valley Col A + Col B	Description	Amount	Annual Amount Per Customer Col E / Col C	Monthly Amount Per Customer Col F / 12	Monthly Amount Per Customer For Six Months Col G x 6 Months
1114	385	1499	Salaries & Wages	\$ 33,544.62	\$ 22	\$ 1.86	\$ 4,307.76
1114	385	1499	Payroll Taxes	\$ 4,939.37	\$ 3	\$ 0.27	\$ 634.31
1114	385	1499	Benefits	\$ 3,810.35	\$ 3	\$ 0.21	\$ 489.32
1114	385	1499	Suppl. (Office Expenses)	\$ 14,650.49	\$ 10	\$ 0.81	\$ 1,881.40
1114	385	1499	Bank Charges & Fees	\$ 2,488.32	\$ 2	\$ 0.14	\$ 319.55
1114	385	1499	Prop & Casualty Ins	\$ 997.07	\$ 1	\$ 0.06	\$ 128.04
1114	385	1499	Management Fees	\$ 13,281.62	\$ 9	\$ 0.74	\$ 1,705.61
							\$ 9,466.00

References:

Column A: Company Schedule C-1
Column B: Testimony, CSB; CSB 1.13, CSB 2.8
Column C: Column [A] + Column [B]

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Exhibit I

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OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) STAFF TEST YEAR ADJUSTMENTS	ADJ NO.	(C) STAFF TEST YEAR AS ADJUSTED	(D) INTERVENOR RECOMMENDED
REVENUES:						
1	Metered Water Sales	\$ 313,559			\$ 313,559	313,559
2	Water Sales - Unmetered	-	-		-	-
3	Other Operating Revenues	6,966	-		6,966	6,966
4	Total Revenues	\$ 320,525	\$ -		\$ 320,525	320,525
EXPENSES:						
7	Salaries and Wages	\$ 55,097	\$ -	1	\$ 55,097	55,097
8	Employee Pensions & Benefits	-	-		-	-
9	Purchased Power	50,533	-		50,533	50,533
10	Fuel for Power Production	-	-		-	-
11	Chemicals	2,181	-		2,181	2,181
12	Repairs and Maintenance	28,089	-		28,089	75,000
13	Office Supplies & Expense	-	-		-	-
14	Contractual Services	58,481	(1,683)	2	56,798	56,798
15	Water Testing	11,000	-		11,000	11,000
16	Rents	-	-		-	-
17	Transportation Expenses	-	-		-	-
18	Insurance - General Liability	-	-		-	-
19	Insurance - Health and Life	266	-		266	266
20	Reg. Comm. Exp.	-	-		-	-
21	Reg. Comm. Exp. - Rate Case	65,000	-		65,000	-
22	Miscellaneous Expense	235,253	(58,124)	3,4,5	177,129	13,000
23	Bad Debt Expense	-	-		-	8,013
24	Depreciation Expense	85,632	(26,198)	6	59,434	-
25	Taxes Other Than Income	-	-		-	59,434
26	Property Taxes	21,030	(1,052)		19,978	-
27	Income Taxes	(109,557)	34,219	7	(75,338)	19,978
28	Rounding	(1)	-		(1)	(75,338)
29		-	-		-	(1)
30	Total Operating Expenses	\$ 503,004	\$ (52,838)		\$ 450,166	\$ 275,961
31						
32	Operating Income (Loss)	\$ (182,479)	\$ 52,838		\$ (129,641)	\$ 44,564

References:

Column (A): Company Schedule C-1
Column (B): Schedule CSB-16
Column (C): Column (A) + Column (B)
Column (D): Schedules CSB-1 and CSB-2
Column (E): Column (C) + Column (D)

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Exhibit J

1 **COPY** of the foregoing was mailed
2 this 6th day of January, 2014, to:

3 Kathleen M. Reidhead
4 14406 S. Cholla Canyon Dr.
5 Phoenix, AZ 85044

6 Thomas Bremer
7 6717 E. Turquoise Ave.
8 Scottsdale, AZ 85253

9 Bill Sheppard
10 6250 N. Central Ave.
11 Phoenix, AZ 85012

12 J. Stephen Gehring
13 Richard M. Burt
14 8157 W. Deadeye Rd.
15 Payson, AZ 85541

16 Glynn Ross
17 405 S. Ponderosa
18 Payson, AZ 85541

19 By: 
20 8788204.1/073283.0006